International Bulletin

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VORSTER'S GAMBLE

U.S.-S. Africa: The Ties That Bind

Behind the U.S., British and French triple veto of UN economic sanctions against South Africa last week is the Western powers' major economic stake in the apartheid regime. U.S. corporations have invested $1.5 billion in South Africa, while the current value of U.S. bank loans to Pretoria is estimated at nearly $3 billion. The British have ventured a staggering $5 to $7 billion in South African investments. France, which is generally considered to be Pretoria's leading arms supplier, has a $1.2 billion contract to build two nuclear reactors outside Cape Town in return for delivery of 1,000 tons of uranium.

According to the International Monetary Fund, trade between Britain and South Africa totalled $2.3 billion in 1976. U.S.-South Africa trade reached $2 billion, and the U.S. became South Africa's leading supplier of imported goods. For all the Western powers, South Africa is a prime source of important raw materials: 75 percent of the West's gold, 80 percent of the diamonds, 80 percent (with Rhodesia) of the highgrade chrome, as well as platinum, manganese and other minerals. None of this was lost on the U.S. press in the days preceding the UN vote.

"From Chevrolets to copper to Coca Cola, American business is in South Africa in a big way—an economic fact of life that President Carter had to face in deciding what sanctions to support against the African nation's white-minority government," the Associated Press reported Oct. 27. The next day the *Christian Science Monitor* said: "A key factor in President

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Today's Big Special R4,00 OK

RAND Daily Mail

Today's Big Special R1,50 OK

'World' banned · Qoboza detained · Ban on 18 groups · Woods banned · At least 42 held · Naude banned · Widespread raids

Crackdown day

Into an age of darkness

Rand Daily Mail's **Oct. 20 edition**

SEEKING INDEPENDENCE FROM WASHINGTON

Israel's New Economic Strategy

The Begin government's surprise decision to let the Israeli pound float in relation to the dollar and other world currencies —the effective equivalent of a 33 percent devaluation—may have been calculated to decrease Israel's dependence on the United States at a time when Begin is doubtful about the reliability of the Carter administration's support for Israel. The devaluation was part of a package of sweeping economic reforms, including the abolition of exchange-control regulations which had been strictly enforced under past Labor governments.

Despite laissez-faire rhetoric and the immediate endorsement of conservative economist Milton Friedman, the total package was much more than a simple application of classical market economics. The new measures also include higher taxes and increased welfare benefits in some areas to compensate for higher prices caused by the abolition of subsidies on imported commodities.

The new Israeli economic strategy seems to have been based on Begin's political assumption that Israel may have to survive without the wholehearted support of the Carter administration. The economic consequences of that assumption are not only austerity at home, but also a fresh attempt to create a favorable climate for foreign investment and private international loans. To reduce Israel's economic dependence on the Carter administration, Begin hopes to deepen Israel's relationship with other external allies—including the European Common Market, private business and banking institutions, and private donors, such as Jewish fund-raising groups in the United States. Devaluation will make the foreign investor's hard currency worth more in Israel, and the elimination of complicated regulations will make it easier to set up a business. Private lenders who now look to the United States to guarantee their loans may interpret the austerity program as evidence of fiscal responsibility on the part of the Begin government.

Begin apparently also hopes that the *share* of the Israeli budget borne by Israeli taxpayers will increase as a result of the economic reform package. That seems to be the implication of promises to cut costs by trimming the government bureaucracy, while at the same time raising taxes. Currently taxes account for about 60 percent of the budget. The rest comes from U.S. military and economic aid (roughly 20 percent), private aid from Americans in the form of Israeli bonds and donations (8 to 10 percent), and loans (more than 10 percent). Official assurances that the U.S. will not withhold aid in order to influence Israeli foreign policy—recently reaffirmed during Treasury Secretary Blumenthal's visit to Israel—have had little credibility in the Israeli press.

Since the 1973 Mideast war, when Israel depended heavily on a massive airlift of U.S. military supplies, every Israeli government has sought to reduce the military aid leverage which

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The Ties That Bind

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Carter's policy on South Africa is the major dependence of the American steel and chemical industries on chromite ore and other metals from that nation.

The British–whose weaker economy is more dependent on South Africa–are even less inclined than the U.S. to impose strong economic sanctions. "Our economic links with South Africa could not disappear overnight without causing grave dislocation to the [British] economy and having severe repercussions on the level of employment," Britain's Foreign Secretary David Owen stated bluntly in a speech last month. "We are living in a real world and this is a harsh fact which we have to take into account."

The lure of South Africa for U.S., British and other multinational corporations is cheap labor and high profits on investments. For U.S. corporations, the average rate of return on investment in South Africa in 1974 was 19.1 percent, compared with a world average of 11 percent for U.S. investment, according to the Commerce Department. The British reported their rate of return for 1974 (the latest reliable figure) as 13 percent, compared with 10 percent worldwide.

Although foreign corporation executives in South Africa frequently try to argue that their company's presence has helped improve the lot of the black majority, the pay gap between black and white workers has actually been widening, according to *Business Week* Oct. 24. "Whites in the mines, for example, average $1,027 per month compared with $124 for blacks, a gap of $903 against 1974's gap of $722," the magazine reports, adding that in manufacturing "the gap between whites and blacks is $522." Hardly any foreign companies have recognized black trade unions, which have formed in spite of severe government restrictions. Of the more than 350 U.S. corporations active in South Africa, Ford Motor Co. is the only large one to accord black unions "even a limited form of recognition," according to *Business Week*.

While vetoing economic sanctions against South Africa, UN ambassador Andrew Young repeated President Carter's support for a six-month mandatory UN arms embargo, subject to renewal. The South African government reacted cavalierly to the prospect of an arms boycott–with Defense Minister Pieter Botha saying South Africa, with the help of the West, had developed a local arms industry that could surmount an international embargo and "put up a fight that will astonish" opponents of apartheid.

The *Washington Post*'s David Ottaway warned Oct. 28 that "the Western arms embargo on South Africa now in the making has come far too late to have any significant effect on that country's ability to wage conventional or guerrilla war against other African countries or its own black population in the forseeable future."

When the UN voted a voluntary arms embargo in 1963, South Africa had a relatively small military force of less than 13,000 troops and a collection of old British and U.S. weapons. Now–largely as a result of wholesale violations of the arms embargo by Western nations–South Africa has an awesome military establishment, including the capability to develop nuclear weapons. According to the latest estimates of the authoritative London-based International Institute for Strategic Studies, South Africa now has 362 combat aircraft, 91 helicopters, 170 tanks and 1,600 armored cars. The South African army now has 55,000 regular troops and 130,000 reserves.

"While not altogether self-sufficient in the production of heavy weapons," said the *Post*, "South Africa already produces a wide variety of small arms and has developed with French help its own Cactus/Crotale surface-to-air missile. If the [new] embargo does not cover foreign arms being manufactured under license in South Africa, or contracts already made, it will have practically no effect at all," the *Post* added. Many of the most sophisticated arms in the South African arsenal are produced under French, Italian, U.S. and British license. Until last May, the U.S., which agreed to observe the 1963 UN embargo, continued to sell to South Africa so-called "gray area" items, such as computers, light aircraft and transport planes, which are classified as "non-military" but are converted for military use by the South Africans. The Carter administration has now officially banned these "gray area" sales. The Vorster regime is spending about $2 billion a year on defense–with roughly $430 million allocated to foreign arms purchases.

Even an effective arms embargo would not provide enough international pressure to reverse the growing repression in South Africa, according to the most outspoken representatives of the 49 African bloc countries at the UN. Nigeria, Tanzania and others want strong economic sanctions. During the UN debate, Nigerian Foreign Minister Joseph Garba called on "friends of South Africa" to stop all new investments there and phase out their existing financial involvement.

Although there is a lot of talk in South Africa of "going it alone," there is a good deal of concern about the effect of even limited, selective sanctions. Professor Arndt Spandau, head of the economics department at Witwatersrand University, told a business conference last month that even if an international boycott were only 50 percent effective it would have a "chilling effect" on the South African economy.

Right now, however, there does not seem to be much fear on the part of the South African government that the West will impose economic sanctions. Campaigning for the Nov. 30 whites-only election, Prime Minister John Vorster reminded an applauding white audience that he was police minister in the early 1960s during the crackdown that banned the African National Council and the Pan-Africanist Congress, after the Sharpeville massacre. That political crackdown was followed by a $40 million loan by a consortium of U.S. banks which helped stabilize the South African government. The repression stifled black protest until the 1973 Durban strike wave and the 1976 Soweto uprising. Vorster is banking now that Western loans and investments will continue, despite his massive political crackdown last month–and that black protest can be silenced for another decade. –ST

INTERNATIONAL BULLETIN

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"The Closest Thing to *1984*"

"Did you know that it is possible for a man to be sentenced to death in this country [South Africa] without his name ever being made public?" the *Johannesburg Star* asked its readers recently. "He can be hanged anonymously, as it were." The newspaper, which often criticizes the government, warned that under the Criminal Procedure Act of 1977 a person can be "charged, tried, convicted and sentenced in absolute secrecy."

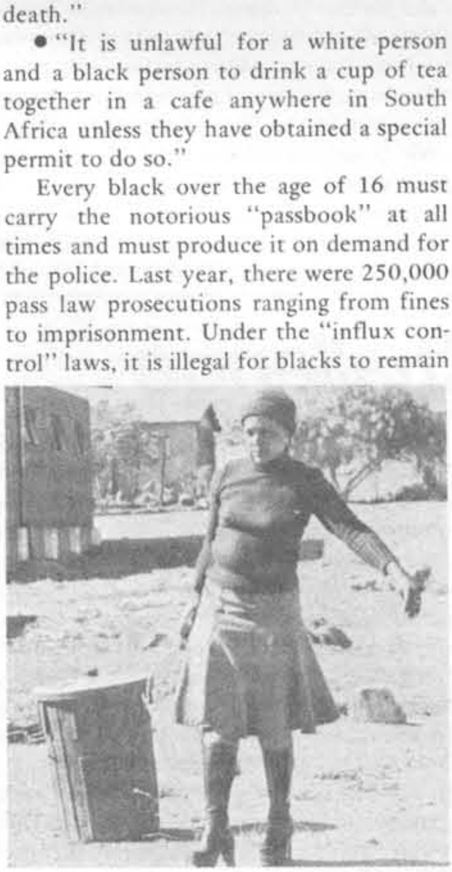
The Criminal Procedure Act is part of a mind-boggling array of repressive legislation designed to enforce the apartheid system. A 1976 United Nations pamphlet, *Apartheid in Practice*, lists 200 examples of South African laws and regulations, including:

• "No African may serve as a member of a jury empanelled for any criminal trial, even when the accused is an African."

• "Any person who breaks the window of a building (including a private residence) in the course of a demonstration calling for the grant of increased rights to the African people is guilty of the 'offence' of 'sabotage' unless he proves that his act was not calculated or intended to encourage feelings of hostility between white persons and Africans. The offence is punishable by sentence of death."

• "It is unlawful for a white person and a black person to drink a cup of tea together in a cafe anywhere in South Africa unless they have obtained a special permit to do so."

Every black over the age of 16 must carry the notorious "passbook" at all times and must produce it on demand for the police. Last year, there were 250,000 pass law prosecutions ranging from fines to imprisonment. Under the "influx control" laws, it is illegal for blacks to remain in any black township, such as Soweto, for more than 72 hours unless that person can prove he or she has lived there continuously since birth or has worked there for the same employer for at least 10 years. If a black man loses his job or a black woman is widowed, they are liable to be "endorsed out" to rural bantustans or reservations.



Winnie Mandela "banned"

Under the Internal Security Act of 1976, Police and Justice Minister Jimmy Kruger has the authority to "ban" persons he deems to have engaged in "activities calculated to endanger public order." Banning is a unique South African punishment—"the closest thing any modern state has devised to George Orwell's *1984*," according to the anti-apartheid Institute of Race Relations in Johannesburg. "On a sociological level, it's almost an effort to turn someone into a non-person, to expunge him, to pretend he doesn't exist." A banned person is restricted to his or her district, required to report to the police regularly, not allowed to be in the company of more than one person at a time except for family members, forbidden to attend social or political gatherings, and not permitted to write for publication or be quoted in the news media.

In last month's crackdown, Kruger banned seven people, including Donald Woods, the outspoken white editor of the East London *Daily Dispatch*, and Beyers Naude, an Afrikaner who was director of the interdenominational, multi-racial Christian Institute, an organization that was itself banned.

Naude, 62, is regarded as a heretic by most Afrikaners because he resigned as a minister of the ultra-conservative Dutch Reform Church to protest the 1960 Sharpeville massacre and has been a leading anti-apartheid activist ever since. "We can't afford to have people like Dr. Naude running around free," Agriculture Minister Hendrik Schoeman told reporters. "We must get rid of such bastards." Donald Woods, 43, banned for the next five years, had accused the government of murdering his close friend, Steve Biko, the 30-year-old black leader who died in September while under police custody.

There are currently 161 banned persons in South Africa—120 are black, Asian or of mixed race, according to the *New York Times* October 27. The best known is Winnie Mandela, 43, a prominent black activist married to African National Congress leader Nelson Mandela, who is serving a life sentence on desolate Robben Island. Late last month, Winnie Mandela was brought to trial for allegedly violating her banning order by, among other things, having a conversation about the price of chicken with two people. Five months ago, she and her 16-year-old daughter, Zinzi, were removed from their home in Soweto and sent 200 miles away to what she refers to as her "so-called house"—a small, run-down concrete structure. Last week she told a Reuters reporter, "We gain inspiration from the knowledge that we are not alone in our struggle for human dignity." —ST

BLACK CAUCUS URGES STRONG SANCTIONS AGAINST SOUTH AFRICA

"It is time to put up or shut up," Congressional Black Caucus member Rep. Ron Dellums (D-Ca.) told a Capitol Hill press conference after the political crackdown in South Africa. "What we want the administration to do is dissociate itself from this racist, oppressive government."

Calling President Carter's support for a mandatory UN arms embargo "disappointing," Black Caucus chairperson Rep. Parren Mitchell (D-Md.) urged implementation of 12 "action items":

"1. Recall the U.S. ambassador to South Africa for consultation.

"2. Downgrade the U.S. mission to South Africa.

"3. Eliminate U.S. commercial, defense and agricultural attachés to South Africa. End all U.S.-South Africa cooperative agency agreements such as the ones with Treasury, Department of Defense.

"4. Deny tax credits to U.S. companies which invest in South Africa and pay taxes there. Develop strong tax disincentives to reduce U.S. investment in South Africa.

"5. Support elimination of Export-Import Bank guarantees for loans to U.S. companies trading and investing in South Africa. This is especially critical to stop the advanced technology goods flow into the country.

"6. End U.S.-South Africa cooperative agreement on nuclear technology and research. End the granting of export licenses for the export of nuclear materials to South Africa.

"7. Stop Commerce Department licensing for export to South Africa of so-called 'non-military' weapons.

"8. Initiate immediate Security Council action at the United Nations against South Africa.

"9. Support UN resolutions on ending nuclear, military and economic cooperation with South Africa in the General Assembly during its session on Apartheid November 7-10.

"10. Support immediate Congressional action to pass legislation placing economic and diplomatic sanctions on South Africa.

"11. Support a moratorium on all U.S.-South African exchange programs.

"12. Strongly affirm a U.S. policy calling for one-man one-vote in South Africa."

S. Korea: "Favorable Action Impossible"

The Carter administration has tried for months to keep the South Korean bribery scandal from interfering with its plans to withdraw 27,000 U.S. troops from South Korea by 1982. But late last month, the two issues began to come together—due in large part to the administration's own fumbling.

On October 26, Rep. Clement Zablocki, head of the House International Relations Committee, told reporters he had decided not to ask the committee to take up President Carter's request that $800 million of U.S. military equipment be turned over to South Korea. Zablocki, a longtime supporter of aid to Seoul, said he thought "favorable action would be impossible" given the feeling in the House about the bribery scandal. House Speaker Thomas O'Neill suggested that the request would be put off until next year.

The $800 million in weapons transfers is part of a $2 billion arms package promised to South Korea as the trade-off for the U.S. withdrawal. The Joint Chiefs have made their approval of the withdrawal conditional on provision of large-scale military aid to Seoul. And in July, Defense Secretary Harold Brown agreed in talks with South Korean officials that the U.S. would build up South Korea's military "in advance of or in parallel with the withdrawals."

The administration has not said what it would do if Congress refuses to approve the full aid package, but it is likely that the withdrawal would be delayed further. The U.S. is currently planning to put off the bulk of the troop pullout until 1981 or 1982—after Carter's first term. Even then, over 13,000 U.S. army and air force personnel will remain in South Korea.

Evidence of South Korea's influence-peddling operation has not in itself inhibited Congress from backing military aid to Seoul, which this year amounted to $280 million. But Congress is anxious not to appear too soft on South Korea at a time when the public is being reminded of the scandal and of Seoul's refusal to cooperate with federal investigators.

President Carter submitted the $800 million arms transfer to Congress on October 21, the last of three days of public hearings conducted by the House Ethics Committee on South Korea's covert lobbying scheme.

The widely reported hearings included documentary and first hand evidence that South Korea's president Park Chung Hee knew of and approved the covert lobbying. Witnesses, including a former head of the Korean CIA, testified that South Korean businessman Tongsun Park had acted as an agent of the South Korean government, reporting regularly to government officials and indirectly receiving funds to curry favor with the Congress. A staff expert reported documentary evidence that Park had access to $9.2 million—received as brokerage fees for U.S. rice shipments to South Korea—for his expenditures. Witnesses described two separate influence-buying operations—codenamed Ice Mountain and White Snow—involving Tongsun Park and a second agent of influence, Hancho Kim, who is now under federal indictment.

Former KCIA chief Kim Hyung Wook

While the hearings were going on, Justice Department officials were engaged in an unsuccessful and highly publicized effort to gain access to Tongsun Park in South Korea. Not surprisingly, South Korea has been less than helpful throughout the federal investigation. But the Carter administration inadvertently dramatized Seoul's refusal to cooperate by waiting until Tongsun Park travelled to South Korea in August to indict him. Park had lived in London—which has an extradition treaty with the U.S.—for 10 months and was reportedly planning to return there. Instead of indicting him while he was in Britain, the Justice Department waited until he was in South Korea, which has no extradition arrangements with Washington.

Soon President Carter was sending letters to Park Chung Hee seeking U.S. access to Tongsun Park, and Attorney General Griffin Bell was calling the South Korean a "fugitive from American justice." On October 20—the day before Carter's aid request was sent to Congress—Justice Department negotiators in Seoul announced they had failed to obtain access to Park. "How do you go back and tell your constituents that you've just voted to turn $800 million worth of equipment over to a country that won't help you talk to Tongsun Park," said Rep. Donald Fraser (D-Minn.). —JA

Argentina: Junta Faces Challenge

The Argentina military government moved last week to crush and at the same time defuse the biggest labor crisis it has confronted since taking power 19 months ago. Faced with a spreading strike of railroad workers and other state employees, the Economy Ministry conceded to some workers' demands and authorized state industries to grant wage increases ranging from 20 to 40 percent. The next day, troops took over a Buenos Aires subway line, trying to force an end to the strike, which had tied up suburban traffic around Buenos Aires and closed down some of Argentina's main railroad lines. In spite of the wage offers and intimidation, the strike spread to Rosario and Santa Fe on November 2.

The labor militancy represented a major challenge to the military junta which has outlawed strikes, arrested hundreds of union leaders, and placed military "interveners"—or trustees—in charge of some 40 unions in an attempt to control the traditionally strong Argentine work force.

The railroad strike, which began October 26, was the latest in a series of labor actions, including a walkout in mid-October by 6,000 to 10,000 workers at the huge Renault plant in Cordoba. In retaliation for the walkout, hundreds of workers were fired. Under pressure from this—and another strike at a large porcelain factory in Buenos Aires—Minister of Labor General Horacio Liendo re-opened the government's "dialogue" with labor organizations in an attempt to cool down the discontent. When the railroad workers' strike broke out suddenly and in defiance of union leadership and quickly spread to other state enterprises, the government was forced to grant state workers the pay increase.

But the junta is less likely to give in to another of the railroad workers' demands—an end to lay-offs. Economy Minister José Martinez de Hoz recently announced

FRENCH LEFT SPLIT

Down and Out in Paris?

Six weeks after the Socialist-Communist split over revision of their 1972 Common Program, there are no signs of renewed unity for the French left alliance that had been widely favored to win general elections next March. The language and tone of inter-party debate has become increasingly bitter, and political polls have shown a slippage of left support—from 53 percent to 50 percent. There has been an even larger drop in the percentage of those who believe the left will still win—from 44 percent to 26 percent.

Helping to keep the parties apart, are Communist apprehensions that the Socialists would dump them after the election and abandon the Common Program, which the Communists view as a starting point for fundamental social change. These fears have been heightened by threats from Socialist leader Francois Mitterand that his party may turn to the right if the Communists demand too many changes in the 1972 platform. Recent polls of Socialist adherents indicate that Mitterand would find support for such a move. Four of five Socialists view themselves tied to the political center, and by a two-to-one margin they foresee an eventual Socialist switch to join forces with President Giscard D'Estaing and Prime Minister Raymond Barre. Socialist strength has increased from less than 10 percent to almost 30 percent since the 1972 agreement, while Communist strength has been stable at about 20 percent during the same period. This has put the Socialists in the front position and turned the Communists into reluctant "junior partners."

***Le Nouvel Observateur*'s view of the Socialist/ Communist dialogue**

The Socialists, for their part, have been worried that the Communists, dislodged as the first party of the left, would sabotage a future government with excessive demands for economic reforms that would fuel more inflation and be financed by large-scale public debt. The French economy is only now completing a year of austerity-primed improvement from the 1973 recession. The Communists believe the 1972 program, and their revisions proposed in September, would together check runaway inflation through profit-making management of the state's industrial sector, comprehensive reform of France's inequitable tax system, and elimination of government waste.

The Communists argue that the key element of sweeping economic reform would be expansion of the number of nationalizations advocated in the 1972 platform (see *IB* Vol. 4, no. 18). They want to more than double the state sector of the economy, to include over 30 percent of the country's gross national product and labor force, and more than 50 percent of all annual investment. The Communists have expected to run state ministries of planning and administration in a coalition government, and thus control the tripartite boards that will direct management of nationalized industry, in which the party already has its main base of support and hopes to gain even more. It was a dispute over the nationalization policy of a future coalition that was the major stumbling block of the September negotiations.

Any attempt to patch up the alliance must also deal with some other nagging problems: Communist veto power over new policies and appointments; the scope of income redistribution, and wage and pension increases; and whether France should have a nuclear strike force pointed "in all directions" (the Communist position).

Although the differences between the parties are substantial, and disharmony evident, compromise may still be possible just before or after the March elections, as the left senses its proximity to state power. The Socialists have promised to abide by the 1972 platform and to follow the previous left alliance practice of putting their support behind the leading left candidate after the primary round of voting. The Communists, promoting their own revision of the Common Program, have not yet said they would support the Socialist candidates, and may be angling for election-time promises they are unable to get now. If the Communists do not get concessions, it seems probable they will try to go it alone, hoping to eventually emerge as the main opposition party. —BW

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that 17 percent of the 150,000 railroad workers would be fired as part of a plan to lay off 500,000 state workers in the next year to cut deficits in state-run enterprises. This plan—like the related decision to sell off 370 state-owned firms and the government's interest in 400 other firms—is a key element of the economic program which the military government has followed since taking power in March 1976. Imposed under the guidance of the International Monetary Fund, and directed by Martinez de Hoz, the program is aimed at increasing Argentina's growth rate and making it a good credit risk by holding down inflation, cutting the federal deficit, encouraging exports, and attracting foreign loans and investments.

The recent round of strikes is a major threat to this program, which has already been under debate at high levels of the government. Though inflation is down from 350 percent last year, to a predicted 150 percent this year, it is still higher than economic planners promised. Industrial production is down by 1.3 percent over last year, and Argentine business executives producing for the local market have joined critics who charge that Martinez de Hoz's policies benefit only big agricultural producers and foreign banking and business interests.

Military leaders are reportedly divided over how to deal with the economic problems and the potentially explosive labor situation. Labor Minister Liendo has called for periodic wage increases to meet inflation. But Martinez de Hoz has opposed the idea, and up until now the junta's most powerful member, President Jorge Rafael Videla, has backed his economy minister. The situation is complicated by the fact that the major revolutionary groups—the Montoneros and the People's Revolutionary Army—are involved in workplace organizing and in supporting the recent strikes. In the past, Argentine military governments have proved uniformly incapable of controlling the strong labor movement. So far, the junta has tried to keep a lid on discontent with massive repression, but this has brought other problems—including a cutoff in military aid from the United States. President Videla reportedly promised President Carter in September that there would be "Peace by Christmas" in Argentina, referring especially to an apparent determination to bring the ultra rightwingers in the military under control.—EF

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FOREIGN AID BILL SIGNED

aid Pres. Carter signed the $6.8 billion foreign aid bill into law on Nov. 1 after a lengthy fight with Congress over aid to seven nations—Vietnam, Laos, Cambodia, Cuba, Mozambique, Angola and Uganda. The final version banned direct U.S. aid to the seven. A prohibition on indirect aid—that is, aid given through international financial institutions like the World Bank—was deleted in the final version. But it was removed only after Pres. Carter sent a letter to the House promising to instruct U.S. representatives to the institutions "to oppose and vote against" any loans to the seven countries.

The final version of the foreign aid bill excluded foreign military sales credits to Argentina, Brazil, El Salvador, banned military aid to Uruguay and Ethiopia, prohibited military training funds for Argentina, and cut $3 million in military aid to the Philippines.

Earlier, human rights activists succeeded after months of effort in attaching human rights language to a separate bill authorizing U.S. funds for the international lending institutions. The final bill instructed U.S. representatives to the banks to oppose loans to any country that engages in gross violations of human rights.

MOSCOW CONCESSIONS TOWARD TEST BAN TREATY

nuclear A major obstacle to a complete ban on nuclear tests was removed Nov. 2 with Soviet Pres. Brezhnev's announcement that his country would no longer insist on exemption of peaceful nuclear explosions from a comprehensive test ban treaty. Sec. of State Vance called the announcement a "major step" toward a complete test ban. The U.S. and the Soviet Union agreed in 1963 to ban all nuclear tests in the atmosphere, space and underwater, but both countries have continued nuclear tests underground.

Another obstacle to agreement was apparently eliminated in Sept. when Soviet Foreign Minister Gromyko indicated that his country would no longer insist that a comprehensive test ban treaty be signed by China and France as well as Britain and the U.S. There are still difficulties in the way of a new treaty, however, including problems of verification and resistance by some elements in the U.S. government opposed to a halt in development of new nuclear weapons. A comprehensive test ban would slow nuclear weapons development since a new nuclear warhead would not be deployed if it could not first be tested.

THE END OF SELF-DELUSIONS?

thailand Last month's military coup in Thailand was aimed at removing arch-conservative Prime Minister Thanin Kraivichien, whose anti-communist extremism was viewed as a liability even by conservative military leaders. Thanin, who had been put in office a year ago by the military when it seized power in a bloody coup, was replaced Oct. 20 by a "Revolutionary Council" of officers, headed by Defense Minister Adm. Sa-ngad Chaloryu. The real power behind the council, however, is the supreme commander of the armed forces, Gen. Kriangsak, who has longstanding and close ties to the United States.

Kriangsak and other military leaders had expressed concern that Thanin's rigid anti-communist rhetoric has impeded progress toward normal relations with Vietnam and Laos and has exacerbated border conflicts with Cambodia. Thailand's hostility toward its communist neighbors under Thanin had even isolated it among pro-Western Southeast Asian nations, which are seeking improved relations with Indochina.

Speaking to reporters after the takeover, the military leaders expressed dismay that foreign investment had stagnated under Thanin. Kriangsak said the new government would move quickly to eliminate "unjust laws" on foreign investment "so that foreign investors will feel certain" about Thailand's stability.

Kriangsak and others are also known to have viewed Thanin's domestic policies as too harsh, alienating potential allies of the regime, while at the same time giving Thailand a bad image in the U.S. Congress, which could jeopardize U.S. aid to Bangkok.

In addition, the military appears to believe that a more flexible approach is needed to fight Thailand's communist guerrilla movement. Last June, a group of "young Turks" in the military protested that Thanin's overreliance on purely military methods and neglect of programs to "win the hearts and minds" of villagers was causing the country to move faster to communism. A month before the coup, the *Los Angeles Times* reported that "Kriangsak and others" believed that Thanin underestimated the strength of the communist guerrilla movement. "The Thai intelligence services report, on the contrary," the *Times* said, "that the insurgency is growing stronger" and the military leaders are upset by Thanin's "apparent self-delusion" about the insurgency.

Gen. Kriangsak and deposed Prime Minister Thanin

NEW SUPPORT FOR SANDINISTAS

nicaragua Leaders of the Sandinasta National Liberation Front who directed last month's attacks on national guard troops described their strategy in interviews and communiqués late last month. They said their military offensive, which is "in the process of unfolding," is aimed at the overthrow of the dictatorship of Anastasio Somoza and its replacement with a government made up of "patriotic and anti-Somocista sectors of the country." The Sandinistas said they would participate with those sectors in finding a "national solution" to the country's problems after Somoza and his family was out of power and its "terrible apparatus of corruption and crime dismantled."

This was the Sandinistas' answer to an appeal published in the main opposition newspaper *La Prensa* and signed by 12 well-known opponents of the Somoza regime, including business and church leaders. The appeal called on "all conscientious Nicaraguans" to unite in opposition to the Somoza government, and insisted that "a solution that will guarantee a permanent and lasting peace cannot be achieved without the participation" of the Sandinistas. It was the first time the guerrillas had been openly supported by most of the signateurs, some of whom are leaders in the main opposition coalition. The widely distributed appeal disproved Somoza's claims that the Sandinista Front is a marginal terrorist group with no influence among the Nica-

raguan population.

At the same time, a dissident sector of the Sandinistas criticized the current military offensive as premature and said that power could not be won through isolated military attacks.

GUERRILLA LEADERS SNUB LORD CARVER

rhodesia

Despite strains in their alliance, the co-leaders of Zimbabwe's Patriotic Front—Joshua Nkomo and Robert Mugabe—stood firm in their opposition last week to the latest Anglo-American plan, which calls for a British commissioner and UN peacekeeping troops to administer Rhodesia during a transition to majority rule. Nkomo and Mugabe met for the first time with Britain's commissioner-delegate, Field Marshal Lord Carver, in Dar Es Salaam Oct. 31. The meeting, scheduled to last two days, broke up after one hour—with Nkomo and Mugabe rejecting the powerful role envisaged for Carver during the transition phase. The nationalist leaders also are opposed to the introduction of UN troops under the current plan. They want their own guerrilla forces to act as the army during the transition.

Mugabe and Nkomo presented a joint position, although there has been tension between them ever since Zambia's President Kenneth Kaunda—an Nkomo backer—met secretly with Rhodesia's Prime Minister Ian Smith Sept. 25 in Lusaka. Mugabe accused Nkomo of taking part in the meeting—a charge Nkomo has denied. However, twice-postponed unity talks—intended to consolidate the Front and merge the two guerrilla armies—will reportedly take place soon.

U.S. FIRMS MORE DEPENDENT ON FOREIGN SALES

arms

Sen. William Proxmire [D-Wis.] announced late last month that he plans to introduce legislation setting annual ceilings on total U.S. arms sales, which came to $9.9 billion this year. Proxmire said the ceiling would drop from $8 billion for fiscal year 1978 to $6 billion for fiscal 1979. Pres. Carter has promised a decreasing ceiling on arms sales, but has not publicly set target figures.

One factor which is likely to make it difficult for the administration to cut arms sales is the importance of foreign sales to U.S. weapons manufacturers. According to a report issued by the Council on Economic Priorities last month, U.S. arms manufacturers have become increasingly dependent on foreign orders over the last four years. The 10 leading U.S. arms exporters, says the study, received approximately 30% of their total military business from sales abroad in 1976. Northrop, the leading arms exporter, received 87% of its military business from foreign governments.

PEKING CALLS FOR A UNITED FRONT AGAINST MOSCOW

china

A 35,000-word editorial in the *People's Daily* Nov. 1 called for formation of a world united front against the Soviet Union and reaffirmed the current leadership's adherence to Mao Tse-tung's theory of "three worlds." The statement, released on the eve of week-long Soviet celebrations of the 60th anniversary of the October Revolution, said that of the two superpowers which constitute the "first world"—the Soviet Union and the U.S.—the Soviets are "the more ferocious, the more reckless, the more treacherous, and the most dangerous source of world war." Although a new world war resulting from superpower rivalry is "inevitable," the editorial said, it could be postponed by forming a united front of nations of the third world and the "second world" of developed nations, which includes Europe, Japan and Canada.

The editorial left unclear the role of the United States—whether the U.S. is to be regarded as the target of the united front along with Moscow, or whether Washington is being urged to join with the united front against the Soviet Union. This issue seems to be a major point of debate within the Chinese leadership. But Vice Premier Teng Hsiao-ping told the French news agency AFP Oct. 21 that China wanted the United States to join with the second and third worlds in a united front to resist what he called the "war plan" of the Soviet Union.

The Soviet news agency Tass Nov. 1 denounced the *People's Daily* editorial, charging that the three worlds theory ignores the class character of nations and is designed to encourage China's "pact with imperialism and reaction to fight the Soviet Union and other socialist countries."

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OPIC: The Senate voted to renew the mandate of the Overseas Private Investment Corp. (OPIC), which insures U.S. firms against expropriation by foreign governments. (Reuter 10/25) • **INVESTMENT**: The Netherlands has overtaken Britain as the country with the largest amount of direct investment in the U.S., according to the Commerce Dept. (Reuter 10/26) • **PHILIPPINES**: Imelda Marcos is negotiating with the UN to hold its next General Assembly session in Manila, with the Philippines paying all the expenses. (*New York Times* 10/26) • **MIDEAST**: The Arab League and the European Common Market said in a communique after 4 days of talks that the present situation in the Mideast threatens international peace, but mentioned no European response to the Arab League's call for Common Market governments to recognize the PLO. (Reuter 10/29) • **ARMS**: The Navy awarded a contract for development of a new type of poison chemical bomb, the "bigeye" bomb, a binery chemical weapon whose production is outlawed. (Reuter 10/27) • **BRAZIL**: A letter published in the daily *O Estado de Sao Paulo* and signed by 11 political prisoners who complained of savage treatment while being held by security police, has stirred concern in government circles, with a presidential spokesperson calling the charges "impressive and serious." (Reuter 10/28) • **CUBA**: A U.S. business delegation representing some 35 Massachusetts firms and headed by Lt. Gov. O'Neill, arrived in Cuba. (Reuter 10/25) • **CHILE**: Unemployment has reached 20.6%, according to the president of the state bank. (*Latin America Economic Report* 10/21) • **ECUADOR**: The military government said it will investigate the circumstances surrounding the deaths of up to 120 striking sugar workers last week. (Reuter 10/26) • **USSR**: McDonald's Restaurants is making a strong bid to bring its fast-food service to the Soviet Union in time for the 1980 Olympics. (*Business Week* 10/24) • **CHINA**: For the first time, China has indicated that it will accept financing from Western banks for largescale purchases from Western firms. (*Far Eastern Economic Review* 10/28) • **RHODESIA**: The Dutch government announced it was giving $200,000 in humanitarian aid to the Patriotic Front, which unites black nationalist guerrillas in Rhodesia. (Reuter 10/26) • **TURKEY**: The largest uranium deposit in the world has been discovered in the Black Sea off Turkey. (Agence France Presse 11/1) • **SPAIN**: Prime Minister Suarez and opposition Socialist and Communists agreed on economic measures designed to curb inflation by imposing a 22% limit on wage increases. (Reuter 10/25) • **ERRATUM**: Our last issue should have said that Mexico's 50% devaluation of the peso occurred in Aug. 1976, not last August.

Israel

[continued from page 1]

allowed the Nixon administration to pressure Israel successfully for a cease-fire at a time when it could have wiped out the Egyptian Third Army in the Sinai. Israel has stockpiled U.S. weapons and pressed for more hardware than either the Ford or Carter administration has thought necessary. In addition, Israel has developed its own arms industry to the point where it can manufacture jets and tanks as well as Uzi machineguns and artillery shells. Now the Begin government has made clear that it values economic self-sufficiency as highly as military autonomy.

One obvious means of decreasing Israeli dependence on outside aid is to improve its own balance-of-payments position. Begin has chosen the traditional remedy for balance-of-payments difficulties—devaluation. By allowing the pound to sink to a value of over 15 to the dollar instead of 10.36, Begin hopes to make Israeli exports considerably more attractive in U.S. and European markets, while letting pricing mechanisms curtail imports. The government has also abolished most previous restrictions on exports and imports, as well as subsidies on some 150 commodities.

While imported raw materials and military supplies will obviously cost more, the major impact of the economic reforms will be on consumer goods and the ordinary necessities of life. Gasoline prices had already risen 25 percent, and now imported food and even public transportation have also risen in cost.

The Begin government took its drastic action at a time when it enjoyed an unusual degree of support. The breakaway group of former Laborites known as the Democratic Movement for Change had just joined the governing coalition. Despite Labor's opposition attacks on some government policies, even Begin's critics acknowledge a "national consensus" on the Palestinian issue—in sharp opposition to what Israelis interpret as a Carter administration drift toward support for a Palestinian "entity" on the West Bank.

The government hopes to win the loyalty of a wealthy stratum of the population which has been hampered by earlier Labor restrictions on possession of foreign currency and spending money abroad. Finance ministry officials estimate that Israelis have some $3 billion stashed in foreign bank accounts—largely to circumvent past regulations. The government hopes that by lifting controls and perhaps declaring an amnesty for those who had illegal accounts, it will persuade these citizens to repatriate their billions. But the move could backfire. With the easing of restrictions some law-abiding citizens may now welcome the opportunity to transfer their savings to a safe, legal Swiss account rather than risk losing them in the chaos of a future Mideast war.

The risk of war also remains a formidable factor in the minds of potential investors and lenders abroad. Devaluation and the elimination of complicated regulations may in themselves be attractive to banks and multinationals, but (as Sadat's example has shown in Egypt) no one considers a loan or investment secure as long as there is no substantive progress toward a stable peace.

Nonetheless, Begin's Finance Minister Simcha Ehrlich confidently predicts that the new economic reforms will make Israel "a financial center for this part of the world." Ehrlich also indicated that the government's plan to raise value-added tax on all goods and services from 8 to 12 percent, while dropping sales and travel taxes, was in line with Israel's move to join the European Common Market's free trade area in 1980. But the Common Market's willingness to develop its trading ties with Israel will again be affected by the risk of war—and also by Arab political pressure if the fundamental issues dividing Israel and the Arabs are still unresolved.

Whether Begin's restructuring of the Israeli economy can achieve the results he is looking for depends heavily on progress toward peace and on domestic reactions to unprecedented austerity. On the Arab-Israeli front, Begin appears in no hurry to see Geneva talks reconvened, and even the Carter administration is now talking of an opening ceremony in January or February instead of December. If talks do start, Begin is again in no hurry to make the concessions the Carter administration regards as a reasonable bargain for peace. Begin feels relatively comfortable about Israel's present military superiority (particularly in the event of a 1967-style preemptive strike), and he calculates that Arab unity (particularly on the Palestinian question) will deteriorate as the months wear on. In this perspective, Begin's strategy seems to involve bolstering Israel's self-reliance in all areas, while doing his best to avoid a head-on confrontation with Washington.

The domestic front may be harder for Begin to handle. Experts in Israel were quick to point out that the October measures marked the first time in Israeli history that economic decisions of such magnitude had been taken without prior consultation of business and labor leaders. It is widely assumed that business will be generally pleased by the lifting of many regulations, but there will be important exceptions. Industries which were protected from foreign competition will not welcome Begin's return to laissez-faire, and manufacturers who imported raw materials will be hard hit by the devaluation.

The million-strong union federation known as the Histadruth, in which the Labor Party has retained its traditional control, has already set up its "war room" to fight cost-of-living increases resulting from Begin's dismantling of the old subsidy system. Work stoppages and one-day strikes have registered more spontaneous reactions to rising costs. Few commentators doubt that austerity will hit the poor hardest, and Begin may have a rough time convincing that section of the population that his road to economic independence is worth the sacrifice. —RS

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Berkeley, CA 94704